

June 09, 2026

## VRC AC Highways Private Limited: Rating reaffirmed

### Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term – Fund-based – Term Loans	466.50	466.50	[ICRA]A- (Stable); reaffirmed
<b>Total</b>	<b>466.50</b>	<b>466.50</b>	

\*Instrument details are provided in Annexure II

### Rationale

The rating reaffirmation for VRC AC Highways Private Limited (VACHPL) factors in the steady execution progress of its greenfield highway construction project (~86% physical progress achieved as of March 2026) and the healthy credit profile of its sponsor – VRC Constructions (India) Limited (VRC; rated at [ICRA]A (Positive)/ [ICRA]A2+), which is the engineering, procurement and construction (EPC) contractor for the project. Improved right-of-way (RoW) availability and lower permitting risks with progressed utility shifting supports execution. However, timely project completion remains a monitorable. The company has received nine milestone-based construction grant payments from the National Highway Authority of India {NHAI, rated {[ICRA]AAA(Stable)}}, corresponding to over 80% physical progress, without any material deductions, other than statutory. ICRA notes that VRC, which has a strong execution track record, has provided a corporate guarantee (CG) till the receipt of the first two annuities and sponsor undertaking towards cost overrun during the construction phase, and any shortfall in operations and maintenance (O&M) expenses for the project.

The rating takes note of the inherent benefits of the hybrid-annuity model (HAM) based project, which includes upfront availability of RoW, inflation-linked revisions to the bid project cost (BPC) during the construction period, and relatively lower equity mobilisation risk, with 40% of the BPC to be funded by the authority during the construction period through a grant. ICRA positively considers the structural features of the debt, including the presence of escrow, cash flow waterfall mechanism prioritising debt servicing, provision for creation of six months' debt service reserve (DSR) and major maintenance reserve (MMR). Once the project becomes operational, the presence of reserves to meet the regular O&M and interest obligations till the next scheduled annuity and restricted payment clause offer comfort. Comfort is also derived from the project's stable revenue stream after commissioning, with 60% of the inflation-adjusted BPC being paid out as annuity, along with interest. Additionally, the inflation-adjusted O&M cost to the extent of fixed percentage of BPC without any price index multiple (PIM) as per the concession agreement over the 15-year operations period by the project owner and authority – NHAI, which is a strong counterparty. Once operational, VACHPL is expected to have adequate debt coverage metrics.

The rating is, however, constrained by execution risks associated with the under-construction status of the project, including time and cost overrun risks. The project's scheduled commercial operation date (SCOD) has been revised to June 03, 2026, following extension of timeline (EOT) approved by the NHAI for delays not attributable to the company, including major changes in scope of works (e.g., inclusion of several additional structures and descoping of a flyover). As of March 2026, the project achieved ~86% physical progress. The company's ability to commission the project within the approved timeline and budgeted costs would remain important from the credit perspective. VACHPL has signed a fixed-price and fixed-time contract with its EPC contractor, which largely mitigates risk of time and cost overrun. Following commissioning, O&M of the project stretch will have to be undertaken as per the concession agreement to avoid any deductions from annuities. Any significant deductions from annuities or increase in routine and major maintenance (MM) from the budgeted level could impact on the company's DSCR. ICRA's rating factors in the exposure of VACHPL's cash flows to the spread between the interest earned on the outstanding annuities, which is linked to the average one-year MCLR of top five scheduled commercial banks and the interest rate on the project loans, which is reliant on the base rate of the lead lender. Further, VACHPL's cash flows are exposed

to inflation risk as O&M receipts, though linked to the inflation index (70% WPI and 30% CPI), may not be adequate to compensate for the actual increase in O&M/periodic maintenance expenses.

The Stable outlook on the rating reflects ICRA's opinion that VACHPL will benefit from the healthy execution capabilities and financial profile of its sponsor and EPC contractor – VRC.

## Key rating drivers and their description

### Credit strengths

**Established track record and financial profile of sponsor and EPC contractor** – VACHPL is a wholly-owned subsidiary of VRC, which has vast experience in the construction segment. VRC is the EPC contractor for executing this project. The contract is on a fixed-price, fixed-time basis, which provides comfort, given its track record of project execution within the budgeted time and cost. The total estimated project cost of Rs. 1,066.32 crore is planned to be funded by the NHAI's grant of Rs. 444.43 crore, external debt of Rs. 466.42 crore and equity worth Rs. 155.47 crore. As of March 2026, VRC had infused its entire equity commitment into VACHPL. Additionally, VRC has provided an undertaking for cost overruns during the construction and for any shortfall in O&M expenses.

**Inherent benefits of HAM projects from the NHAI** – The inherent benefits of the HAM project include upfront availability of RoW, inflation-linked revisions to the BPC during the construction period and relatively low equity mobilisation risk with 40% of the BPC to be funded by the authority during the construction period through a grant. The project will have a stable revenue stream post commissioning as 60% of the remaining project cost will be paid out as annuity (adjusted for inflation), along with interest at the average of one-year MCLR of the top five SCBs (to be reset every quarter) plus spread of 1.25%. The O&M cost will be adjusted for inflation to the extent of the fixed percentage of BPC, without any PIM, as per the concession agreement over the 15-year operations period by the project owner and annuity provider, the NHAI, a key Central Government entity that develops and maintains India's national highways.

**Adequate coverage indicators and presence of structural features** – Though the project is anticipated to achieve the commercial operations date (COD) with a delay compared to scheduled COD of June 03, 2026 (revised vide an EOT approved by the NHAI), the presence of grace period of 90 days and VRC's execution track record offers some comfort. If the overall project cost remains within the budgeted level, once operational, VACHPL is likely to have adequate debt coverage metrics. This provides adequate cushion to withstand any movement in the interest on annuity and inflation to a major extent. The credit profile is supported by VRC's undertaking towards funding any cost overrun during the construction period and any shortfall in O&M expenses once operationalised. Further, the presence of structural features of the debt, including the presence of escrow, cash flow waterfall mechanism, provision for DSR (to be created out of the first two annuities), provision for creation of MMR and restricted payment clause with minimum DSCR of 1.15 times provide comfort.

### Credit challenges

**Execution risk attributable to under-construction status of project** – The project achieved the appointed date of October 12, 2023, and achieved a physical progress of ~86% as of March 2026. Thus, the company remains exposed to project execution risk including risks of delays, beyond the SCOD, and cost overruns. However, the risk is mitigated, to an extent, by the fixed-price, fixed-time contract with VRC and the latter's healthy project execution capabilities.

**Exposure of project's cash flows and returns to interest rate and inflation risks** – The project's cash flows and returns are exposed to the interest rate risk and are dependent on the spread between the interest rate applicable to annuities and the interest rate charged by lenders. The interest on the outstanding annuities from the NHAI is linked to the average one-year MCLR of top five scheduled commercial banks, while the interest rate charged by the lenders is linked to the base rate of the lead lender. Further, VACHPL's cash flows are vulnerable to inflation risk as O&M receipts, though linked to inflation (70% WPI and 30% CPI), may not be adequate to compensate for the increase in O&M/periodic maintenance expenses.

**Requirement of undertaking O&M as per concession agreement and risk of deductions from annuity** – After commissioning, the O&M of the project stretch will have to be undertaken as per the concession agreement to avoid any deductions from annuities. Any significant deductions from annuities or an increase in routine and MM expenses from the budgeted level could impact its DSCR.

### Liquidity position: Adequate

As the project is under construction, the liquidity position is supported by undrawn sanctioned term loan and grants receivable from the NHAI. The total estimated project cost of Rs. 1,066.3 crore (comprises EPC cost inclusive of GST) is planned to be funded by the NHAI’s grant of Rs. 444.4 crore (including GST), external debt of Rs. 466.4 crore and the promoter’s contribution/equity of Rs. 155.5 crore. As on March 17, 2026, the company has drawn Rs. 309.2 crore of the sanctioned term loan, while Rs. 374.4 crore has been received as NHAI grant.

### Rating sensitivities

**Positive factors** – The rating could be upgraded if the project achieves PCOD<sup>1</sup>/COD<sup>2</sup> within the expected timelines and budgeted costs.

**Negative factors** – Pressure on the rating could arise if project progress is delayed resulting in significant time and cost overruns, or in case of delayed receipt of grant results in increased funding risks. Additionally, any deterioration in the sponsor’s credit profile would trigger a downward rating revision.

### Analytical approach

Analytical approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology Roads - Hybrid Annuity</a>
Parent/Group support	Not applicable
Consolidation/Standalone	Standalone

<sup>1</sup> Provisional commercial operation date

<sup>2</sup> Commercial operation date

## About the company

VRC AC Highways Private Limited (VACHPL) is a special purpose vehicle (SPV) promoted by VRC Constructions (India) Limited (VRC) for implementing a road project envisaging development of Memmadpur (Ambala) – Banur (IT City Chowk) – Kharar (Chandigarh) corridor under Bharatmala Pariyojana (Package I) six laning of Ambala–Chandigarh greenfield with spur to Lalru (4-lane), in Punjab, under HAM.

### Key financial indicators (audited)

The key financial indicators are not applicable as VACHPL is a project-stage company.

### Status of non-cooperation with previous CRA: Not applicable

**Any other information:** The company faces prepayment risk, in case of debt acceleration upon the breach of covenants, including financial covenants, operating covenants, and rating linked covenants. Upon failure to meet the covenants, if the company is unable to get waivers from the lender or the lender does not provide it with adequate time to arrange for alternative funding to pay off the accelerated loans, the rating would face pressure.

## Rating history for past three years

Instrument	Type	Current rating (FY2027)		Chronology of rating history for the past 3 years					
		Amount rated (Rs. crore)	Jun 09, 2026	FY2026		FY2025		FY2024	
				Date	Rating	Date	Rating	Date	Rating
<b>Fund-based – Term loan</b>	Long-term	466.50	[ICRA]A-(Stable)	-	-	Mar 17, 2025	[ICRA]A-(Stable)	Mar 27, 2024 Mar 05, 2024	[ICRA]A-(Stable)

### Annexure I: Disclosure pursuant to the SEBI Circular SEBI/HO/DDHS/DDHS-PoD-2/I/4685/2026 dated February 10,2026

ICRA rated Instruments fall under regulatory purview of various Financial Sector Regulators (FSR) as under:

Sr. No.	Instrument	FSR
1	Listed/Proposed to be listed Bonds/Debentures/Preference Shares (all securities)	SEBI
2	Unlisted/Proposed to be unlisted Bonds/Debentures/ Preference share (all securities)	MCA
3	Listed PTCs / Securitisation Notes (originated by entities regulated by RBI) (*)	SEBI
4	Listed PTCs / Securitisation Notes (originated by entities not regulated by RBI) (*)	SEBI
5	Unlisted PTCs / Securitisation Notes (originated by entities regulated by RBI) (*)	RBI
6	Listed Commercial Paper and NCDs with original maturity less than 1 year	RBI
7	Unlisted Commercial Paper and NCDs with original maturity less than 1 year	RBI
8	Loan Facilities (Fund/Non-Fund Based) from Bank / NBFCs/ NHB/ FIs (\$)	RBI
9	External Commercial Borrowings/Loans from overseas branches of Indian Banks/other similar borrowings	RBI
10	Certificates of Deposit	RBI
11	Fixed Deposits raised by NBFCs, Banks, HFCs, FIs	RBI
12	Fixed Deposits raised by corporates other than NBFCs, Banks, HFCs, FIs	MCA
13	Inter Corporate Deposits/Loans extended by Corporates	MCA
14	Listed Security Receipts	SEBI
15	Unlisted Security Receipts	RBI
16	Unlisted PTCs / Securitisation Notes (originated by entities not regulated by RBI) (*)	Investor-side Regulator such as IRDAI, PFRDA (%)

(\*) Includes securitisation transactions involving assignee payout, acquirer's payout.

(\$) Includes bank facilities such as liquidity facility, second loss facility that are part of securitisation transactions.

(%) These ratings were assigned prior to the introduction of SEBI CRA Circular dated Feb 10, 2026 and accordingly, investor side FSRs have been mentioned.

Other Activities offered by ICRA fall under regulatory purview of various Financial Sector Regulators (FSR) as under:

Sr. No.	Activity Name	FSR
1	Credit Ratings for Capital Protection Oriented Schemes (by Mutual Funds and AIFs)	SEBI
2	Credit quality ratings (CQRs) for Mutual Fund Schemes and Schemes of AIFs	SEBI
3	Independent Credit Evaluation (ICE)	RBI
4	Expected Loss Ratings (For Loan Facilities [Fund/Non-Fund based] from Banks/NBFCs/NHB/FIs)	RBI
5	Expected Loss Ratings (Listed / Proposed to be listed Bonds / Debentures / Preference Shares (all securities))	SEBI
6	Expected Loss Ratings (Unlisted / Proposed to be unlisted Bonds/ Debentures / Preference Shares (all securities))	MCA
7	Credit Rating of Borrowing programme	(@)
8	Issuer Ratings	(#)
9	Monitoring Agency	SEBI
10	Research activities, incidental to rating such as research for Economy & Industries (permitted by SEBI vide SEBI Master Circular for CRAs)	NA

- (@) The rated instrument may involve issuance of different instruments such as debt securities (listed or otherwise), bank loans, commercial paper (listed or otherwise), etc. The regulator of the instrument can only be determined upon issuance. Accordingly, ICRA shall capture the rated quantum details along with names of respective FSR in the press release(s) after the issuance(s) of the instruments.
- (#) Since no instrument is being rated, FSR is not applicable. The rating scale and definitions stipulated in SEBI Master Circular for CRAs are being followed.

**Disclosure:** SEBI’s grievance redressal/dispute resolution and SEBI investor protection mechanisms such as SCORES and ODR shall not be available for activities and instruments which fall under the regulatory purview of Financial Sector Regulators other than SEBI.

## Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term – Fund-based – Term loan	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA’s website: [Click here](#)

### Annexure II: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	Fund-based – Term loan	FY2024	NA	FY2040*	466.50	[ICRA]A- (Stable)

Source: Company, ICRA Research; \*This may vary depending on the actual PCOD/ COD of the project.

[Please click here to view details of lender-wise facilities rated by ICRA](#)

### Annexure III: List of entities considered for consolidated analysis: Not applicable

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## ABOUT ICRA LIMITED

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit [www.icra.in](http://www.icra.in)

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### Branches



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